

# **MEETING OF THE BOARD OF BANK ADVISORS**

February 24, 2014

11:00 am

Department of Financial Institutions  
324 South State Street, Suite 201  
Salt Lake City Utah

## **Minutes**

### **BOARD MEMBERS PRESENT:**

Eric Schmutz, Dave Brown, Craig White, Roger Shumway, and Matt Packard.

### **DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:**

Commissioner Ed Leary, Tom Bay, Paul Allred, Mark Peterson, and Sonja Long.

### **OTHERS PRESENT:**

Kevin Stocking, Heber Valley Bank; Ray Dardano, Marlin Business Bank; Lew Goodwin, Green Dot Bank; Don Norton, Capital Community Bank; John Sorensen, Home Savings Bank; Ryan Nielsen, American Bank of Commerce; Jon Allen, Bank of American Fork; and Rich Holley, Proficio Bank.

#### **1. Call Meeting to Order – Chairman Eric Schmutz**

We asked if the new time change was okay for the board, everyone was agreeable to the 11:00 time.

#### **2. Elect new chairman and vice-chairman –**

Craig White said that he is sure that Roger Shumway hasn't been chairman yet, Eric Schmutz made the motion for Roger Shumway to be chairman, it was unanimous by the board.

#### **3. Minutes –**

Roger Shumway asked if there were any changes to the minutes. None were suggested. Dave Brown made the motion, Matt Packard seconded the motion.

#### **4. Legislative Update – Paul Allred**

Paul went through the bills that the department is tracking during the session.

SB124 – Senator Bramble is the sponsor, this is the department bill. It has passed both houses and is either waiting the signature from the Senate president or has received it. Then it will be enrolled and then sent to the Governor for signing. It is a clean-up bill of our title.

HB316 – Financial Institutions Fee Amendment bill, Representative Dunnigan is the sponsor. Commissioner Leary gave a handout that summarizes this bill. (Handout #1) It has passed the house and is sitting in the Senate. It has a negative fiscal impact, so that is why it can't be put on the consent calendar. It is a non-contested bill. John Sorenson had a question, if you have a handful of institutions that the fees are extremely large, if they left or changed, would that affect your budget adversely? Paul said that they went through about 20 scenarios before they came up with the final decision on how to reduce the fees. Commissioner Leary said that this has always been a concern for the department, while we have a restricted fund; the legislature always has to appropriate our budget. This year the Governor's office recommended a budget of about \$7 million. Between this asset based fee and other fees we would be bringing in roughly \$8.6 million. So what we tried to do is get what we are collecting more in line with what is being appropriated. There was a brief discussion on this. Roger asked if at that budget the department could maintain staff appropriately. Commissioner Leary said yes, in fact we are asking for two more examiners that will in reality gets us back to the 41 that we had in 2008.

HB96 – Representative Hughes, Utah School Readiness Initiative. Really a social impact bond bill. The idea is that they are trying to help pre-school kids do better in school. They are looking for private industry to fund that, so they are going to do that through social impact bonds. If banks participate in that they can receive CRA credit. We were approached prior to session by the folks that are behind that bill and the FDIC and are interested in the concept.

HB117 – Patent Infringement Amendment – that is part of what was considered by the associations when they put in that provision in HB316 allowing some of the restricted account money to defend, protect, and promote the state banking system.

SB 36 – Senator Mayne's bill on Voter Information Amendments, to all of us as voters we are concerned about the information that can be found out on a website. A gentleman from back east purchased information from the Lt. Governor's office, which is responsible for voter information and now you can go out and look up virtually anyone in the state and find out information on them and if you voted in the past 15 years worth of elections.

SB170 – the Education Loan Amendment bill. It was proposed by Senator Knudsen that would amend Chapter 70C. It throws out the word unconscionable about every other sentence dealing with student loans. Fortunately the industry has met with Senator Knudsen and he is not going to push that bill, but there might be an amendment made to 70C that would limit what private student lenders can collect in the way of garnishment to what is currently the federal limit for federally guaranteed student loans at 15%. We

don't know if that amendment is actually going to be presented but those are the discussions that are going on right now. There is an individual behind this bill with an axe to grind. This amendment is only targeting true student loans.

## **5. Holding Company Program Overview – Mark Peterson**

Mark gave out two handouts. He went over the Holding Company Inspection process. We have three types of holding companies in our department, the large bank holding companies that are supervised by the FRB, the Industrial Bank holding companies that are not supervised by the FRB, and we have the Bank holding companies that involve most of the community banks.

He went through the handout that shows what the FRB process. Our process differs in that we go into your institution. We go in about every three years. He went through the second handout that he gave on what we request for a holding company inspection.

Mark said that they have had some questions recently about control. Our code requires that if you have a legal entity that wants to acquire 10% or more of a bank or bank holding company it needs prior approval of the Commissioner. He would couch it as this; if any of you ever come across investors that are asking questions about that or are approaching those levels, there are some differences in what our code says and what federal code says. If you get anyone in that situation, please give Mark a call and we can talk through it.

## **6. Performance Trends – Tom Bay**

Tom gave out his performance trends handout. Just a note on the cover sheet it lists those banks that have been excluded. He went through the report. The report will be sent electronically after the meeting.

Tom found an OCC survey on credit underwriting, they do this annually. Handout #4 is the findings from their most recent survey.

He also quickly wanted to mention that the Money Management Council, which oversees public funds, is continuing to work on a rule to allow public funds to use the CDARS program. That came up in the legislative session last year. Once the rule is finalized you can start putting public funds into CDARS reciprocal deposit programs. Currently if you do public funds you have to send this sheet in to report them, Tom will be modifying the form to include and funds that you have in a CDARS program.

## **7. Commissioner Comments – Commissioner Leary**

Last May we used this meeting to hold a mini-town hall meeting for the CSBS and St Louis Federal Reserve. They sent out seven questions and submit the answers back to them. They held a symposium to address specific issues. The proposal has been made to do that again. We would like to use the May meeting for that type of format again. He

thinks that over 30 states participated last year. Dave Brown asked if the findings had any impact. Commissioner Leary said he thought so; the Federal Reserve and CSBS took them very seriously. He asked for the concurrence of this board to hold that meeting in May. They said yes.

He gave a handout of an excerpt from his speech that he gave at the UBA Executive Winter Conference. (Handout #5) He went through the handout.

#### **8. Other business –**

Roger Shumway asked for a motion to adjourn. Eric Schmutz made the motion, Matt Packard seconded the motion.

#### **9. Date of next meeting – May 19, 2014 – 11:00 am**